

## Message Text

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P R 181128Z JAN 74

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INFO AMEMBASSY ANKARA

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E.O. 11652:N/A

TAGS: ENRG, ECON, OECD

SUBJECT: ENERGY: SHORT TERM FORECASTERS MEETING - COUNTRY SUMMARIES

REF: (A) OECD 1235 (B) STATE 007324

(C) OECD 541 (D) OECD 33029

STATE ALSO FOR T/IEP

1. SUMMARY: THIS CABLE SUPPLEMENTS REPORTAGE OF GENERAL ISSUES RAISED AT SHORT TERM FORECASTERS MEETING JANUARY 10-11 (REF A). IT PROVIDES INDIVIDUAL COUNTRY FORECASTS FOR U.S., JAPAN, GERMANY, FRANCE, ITALY, U.K., CANADA. IT ALSO REPORTS ON SMALLER OECD COUNTRIES WHICH MAY PARTICIPATE IN FEB 11 MEETING IN WASHINGTON (BELGIUM, NETHERLANDS, DENMARK, NORWAY), OR WHICH ARE LISTED AS ADDRESSEES IN REF B (SWEDEN, SWITZERLAND). DEVELOPMENTS IN OTHER SMALL COUNTRIES OF OECD ARE SUMMARIZED BRIEFLY. END SUMMARY.

2. UNITED STATES: US DELS (FOSS AND ESSLEY) SUMMARIZED OUTLOOK FOR US ECONOMY ON ASSUMPTION THAT OIL EMBARGO WOULD CONTINUE THROUGHOUT 1974. FOSS DID NOT CONSIDER OIL SUPPLY SHORTFALLS TO BE LIMITING FACTOR ON GROWTH IN VIEW OF POTENTIAL FOR CONSERVATION MEASURES, OIL PRODUCTION INCREASES, CONVERSION TO ALTERNATIVE ENERGY SOURCES, AND REDUCED CONSUMER DEMAND IN RESPONSE TO HIGHER PRICES. CONTINUING STRENGTH OF INVESTMENT DEMAND WOULD PROVIDE STIMULUS IN FIRST HALF 1974, WITH INVESTMENTS IN NEW ENERGY SOURCES OFFSETTING ANY SUBSEQUENT DECLINE DUE TO OIL UNCERTAINTIES. THUS, THERE WAS NO BASIS FOR EXPECTING REDUCTION IN INVESTMENT SPENDING BELOW RATE PRESENTLY FORESEEN. MAIN THREAT TO OUTPUT WOULD COME FROM IMPACT OF OIL PRICE RISE ON CONSUMER DEMAND, ESPECIALLY FOR AUTOMOBILES AND AIRLINE SERVICES WHERE PRODUCTION AND EMPLOYMENT WOULD BE ADVERSELY AFFECTED. OUTLOOK FOR GNP WAS FOR SLIGHT LIMITED OFFICIAL USE

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DECLINE IN FIRST QUARTER 1974 FOLLOWED BY RECOVERY TO POTENTIAL RATE OF GROWTH IN SECOND HALF. OUTLOOK FOR PRICES WAS FOR SOMEWHAT LESS THAN 8-1/2 PERCENT INCREASE FORECAST BY SECRETARIAT FOR FIRST HALF 1974 OVER SECOND HALF 1973.

3. DURING QUESTION PERIOD, FRENCH DEL QUERIED BASIS FOR EXPECTATION OF RECOVERY IN SECOND HALF IN VIEW

RISING UNEMPLOYMENT, INCREASING SAVINGS, DETERIORATION IN CONSUMER PURCHASING POWER, AND POSSIBLE RISING WAGES. FOSS REPLIED THAT (A) HOUSING INVESTMENT EXPECTED TO RECOVER AS INTEREST RATE DIFFERENTIALS NARROW AND DISINTERMEDIATION EFFECTS ARE REDUCED, (B) AUTO PRODUCTION WILL INCREASE AS OUTPUT RESPONDS TO STRONG DEMAND FOR SMALLER CARS; (C) INVESTMENT DEMAND WILL REMAIN FIRM DUE TO CONVERSION TO NEW ENERGY SOURCES; (D) OIL PRICE IMPACT ON INFLATION RATE AND ON CONSUMER DEMAND WILL NOT BE REPEATED IN SECOND HALF, AND (E) FOOD PRICES WILL SLOW DOWN LATER IN YEAR AS EFFORTS TO INCREASE SUPPLIES TAKE EFFECT. HOWEVER, PRESENT MODERATE RATE OF INCREASE IN WAGES MAY NOT CONTINUE THROUGHOUT 1974, AND CORPORATE PROFITS IN NON-OIL SECTORS MAY DECLINE. IN RESPONSE TO QUESTIONS FROM AUSTRALIAN DEL REGARDING OUTLOOK FOR PRICES AND INCOMES POLICY, FOSS REPLIED TH\*T SAME KIND OF INCOMES POLICY WOULD REMAIN IN EFFECT THROUGHOUT 1974. WHEN ASKED BY FRENCH ABOUT DEMAND MANAGEMENT PLANS, FOSS INDICATED LIKELIHOOD OF MILD RESTRAINT IN FISCAL POLICY WITH EXPENDITURES SOMEWHAT EXCEEDING RECEIPTS FOR FY 74. HE SAW NO MAJOR CHANGE IN MOENTARY POLICY. UK DEL SUGGESTED THAT US MIGHT RECEIVE REFLOWS FROM ARAB COUNTRIES IN EXCESS OF ADDITIONAL IMPORT COSTS OF OIL, WITH CONSEQUENT DEPRESSIVE EFFECT ON US INTEREST RATES. FOSS SAW LITTLE LIKELIHOOD OF MUCH OF A DECLINE IN INTEREST RATES.

4. US DEL (LEDERER) DIFFERED WITH SECRETARIAT FORECASTS OF US TRADE AND CURRENT ACCOUNT BALANCES. HE FORESAW \$12.5 BILLION INCREASE IN OIL IMPORT BILL AFTER TAKING ACCOUNT OF REDUCED IMPORT VOLUME, (VERSUS OECD FORECAST OF \$9.5 BILLION) LEADING TO SUBSTANTIALLY LARGER TRADE DEFICIT THAN \$0,5 BILLION LIMITED OFFICIAL USE

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SECRETARIAT FIGURE FOR FIRST HALF 1974. HE WAS ALSO MORE PESSIMISTIC THAN OECD REGARDING SIZE OF CURRENT ACCOUNT DEFICIT FOR 1974.

5. JAPAN: JAPANESE DEL (SAKURA) GAVE GENERALLY WEAK PERFORMANCE IN DESCRIBING OUTLOOK FOR JAPANESE ECONOMY IN 1974. OVERALL PRESENTATION LACKED CLARITY AND MANY QUESTIONS WENT UNANSWERED. FORECASTS FOR 1974 WERE BASED ON SITUATION PRIOR TO CHRISTMAS OIL PRICE RISE AND SUPPLY INCREASE. HOWEVER, JAPAN CONSIDERS ITS PRE-CHRISTMAS FORECAST TO HAVE BEEN OPTIMISTIC, AND IS THEREFORE HOLDING TO IT NOW THAT OIL SUPPLY PICTURE HAS IMPROVED. JAPAN STILL UNCERTAIN RE ADEQUACY OF SUPPLIES FOR 1974 AND NOW EXPECTS SHORTFALL MAY REACH 20 PERCENT FOR FIRST HALF AND 9 PERCENT FOR FULL YEAR.

6. PRE-CHRISTMAS ESTIMATES ASSUMED ZERO GNP GROWTH FOR 1974, WITH 4 PERCENT DECLINE IN FIRST HALF FOLLOWED BY RECOVERY TO 7 PERCENT INCREASE IN SECOND HALF. (IF OIL SUPPLY IMPROVES, GNP FIGURES MAY BE SLIGHTLY HIGHER.) JAPANESE DEL PAINTED DISMAL PICTURE OF INDUSTRIAL PRODUCTION DECLINING 4-5 PERCENT, FIXED INVESTMENT (INCLUDING HOUSING) DECLINING BY 3 PERCENT, AND INVENTORY LEVELS DECLINING BY 60 PERCENT FROM 1973 LEVELS. HOWEVER, HE FORCAST INCREASED CONSUMER EXPENDITURES OF 5 PERCENT.

7. SECRETARIAT AND SEVERAL DELEGATES NOTED JAPANESE OMISSION OF PRICE EFFECTS ON DOMESTIC DEMAND. JAPANESE DEL REITERATED THAT OIL SUPPLIES HAD GREATER IMPACT ON GROWTH POTENTIAL THAN PRICE RISES, THUS COMBINED EFFECT OF IMPROVEMENT IN SUPPLY PICTURE AND SHARP INCREASE IN OIL PRICES WOULD STILL HAVE NET POSITIVE EFFECT ON GNP GROWTH. SECRETARIAT SUGGESTED THAT SUPPLY SITUATION

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MIGHT PERMIT INCREASED PRODUCTION, BUT PRICE RISE  
WOULD REDUCE CONSUMER DEMAND AND IF JAPAN CONTINUED TO  
MAINTAIN RESTRICTIVE POLICIES TO CONTROL INFLATION,  
THERE WOULD BE EVEN STRONGER NEGATIVE IMPACT ON  
DEMAND. TUS, ESTIMATES OF RECOVERY IN SECOND HALF  
MAY BE OPTIMISTIC. JAPAN REPLIED THAT IT WOULD HAVE  
TO MAINTAIN RESTRAINT DURING FIRST HALF WHEN CIP EX-  
PECTED TO RISE 20 PERCENT OVER SECOND HALF 1973.  
NEW BUDGET FOR FY 75 BEGINNING APRIL WILL BE VERY  
RESTRICTIVE, BUT JAPAN HOPES TO RELAX ITS POLICIES  
IN SECOND HALF WHEN INFLATION RATE MORE UNDER CONTROL  
AND OIL SUPPLY PICTURE IMPROVED.

8. FOR 1974 AS A WHOLE, JAPANESE DEL EXPECTED RISE  
IN CPI TO REACH 13 PERCENT ABOVE 1973. (GNP DEFLATOR  
UP 14 PERCENT). OIL PRICE RISES EXPECTED ADD 3-4  
PERCENTAGE POINTS TO ANNUAL RATE OF INCREASE ON BASIS  
DOUBLING OF OIL PRICES TO \$6.50 PER BARREL. NEW CALCU-  
LATIONS WILL BE BASED ON \$8.50-9 PER BARREL, THUS IMPACT  
ON PRICES MAY BE EVEN GREATER. PRIMARY POLICY CON-  
SIDERATION FOR JAPAN IN FIRST HALF 1974 WILL BE CONTROL  
OF INFLATION.

9. JAPAN EXPECTS VOLUME OF WORLD TRADE TO GROW BY  
2.5 TO 3 PERCENT IN 1974. IMPACT OF OIL PRICE

RISE PRE-CHRISTMAS EXPECTED TO B \$1 TO -1.5 BILLION  
DETERIORATION IN BOTH TRADE AND CURRENT ACCOUNTS,  
LEAVING DEFICIT OF \$0.5 TO \$1 BILLION ON CURRENT ACCOUNT.  
DETERIORATION MAY BE TWICE AS LARGE (\$2.5 TO \$3 BILION)  
AS RESULT OF CHRISTMAS PRICE RISES. DIFFERENCE  
BETWEEN THIS FIGURE AND SECRETARIAT ESTIMATE OF  
\$6 BILLION DETERIORATION (REF C) IS EXPLAINED BY LOWER  
JAPANESE FORECAST OF IMPORT VOLUME, LOWER RATE OF  
GROWTH OF IMPORTS IN 1974, AND PARTIAL INCLUSION OF  
EXPECTED FUTURE PRICE RISES IN FOREGOING JAPANESE  
ESTIMATES.

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10. GERMANY: GERMANS HAVE REVISED THEIR PRE-CHRISTMAS  
ESTIMATES OF ZER GNP GROWTH TO REFLECT IMPROVED OIL  
SUPPLY SITUATION, AND ARE ARE NOW FORECASTING 2 PERCENT  
GROWTH FOR 1974. OIL SUPPLIES EXPECTED REACH SAME  
LEVEL IN 1974 AS 1973, AND ALTHOUGH STILL BELOW AMOUNTS  
NEEDED TO SUSTAIN POTENTIAL GROWTH RATE OF 4-4.5 PERCENT,  
SHORTFALLS CAN BE MADE UP BY CONSERVATION AND CONVERSION  
MEASURES.THUS GERMANS SEE ZERO GNP INCREASE FOR  
FIRST HALF, FOLLOWED BY RETURN TO POTENTIAL RATE IN  
SECOND HALF.

11. SECRETARIAT OBSERVED THAT RETURN TO POTENTIAL  
GROWTH RATE ASSUMES RECOVERY OF DEMAND FROM LOW LEVELS  
OF SECOND HALF1973 WHEN GNP ACTUALLY FELL. EFFECT OF  
OI PRICE RISE MAY BE TO DEPRESS DEMAND STILL FURTHER,  
SO THAT ANY RETURN TO POTENTIAL GROWTH RATE WOULD  
ASSUME SOME FORM OF DEMAND STIMULATION. GERMANS ADMITTED  
THERE COULD BE PROBLEMS ON DEMAND SIDE,  
ESPECIALLY IN MOTOR INDUSTRY AND CHEMICALS. THEY  
HAVE ALREADY MADE SOME MODIFICATIONS IN HIGHLY RESTRICTIVE  
BUDGETARY POLICIES IN DECEMBER, BUT THESE  
DO NOT REPRESENT SHIFT TO EXPANSIONARY POLICY.SOME  
RELAXATION IN MONETARY POLICIES MAY SOON TAKE PLACE,  
BUT CREDIT RESTRICTIONS ARE TO BE MAINTAINED AS COUNTER-  
INFLATIONARY DEVICE. MONETARY RELAXATION WILL NOT  
GENERALLY BE HELPFUL IN RESOLVING SUPPLY BOTTLENECKS,  
SUCH AS OIL FEED STOCKS FOR CHEMICAL INDUSTRY. MAIN  
EMPHASIS OF POLICY WILL BE TO ENCOURAGE DEMAND ON  
SLECTIVE BASIS WHE  
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16. ITALY: ITALIAN DEL EXPECTED THAT OIL SUPPLY  
SHORTFALL WOULD CONTINUE AT ABOUT 5 TO 10 PERCENT  
LEVEL, EVEN AFTER CHRISTMAS IMPROVEMENTS IN SUPPLY PICTURE.  
THIS AMOUNT COULD LARGELY BE ABSORBED BY CUTBACKS IN

NON-ESSENTIAL USES AND THERE WOULD BE NO ADVERSE IMPACT ON PRODUCTION. MAIN CONSTRAINT ON PRODUCTION WOULD BE SUPPLY BOTTLE-NECKS IN CERTAIN INDUSTRIES WHICH WOULD IN ANY CASE PREVENT ACHIEVEMENT OF 6.5 PERCENT POTENTIAL RATE OF GROWTH. THERE HAS BEEN SOME WEAKENING IN INVESTMENT DEMAND RECENTLY BUT PRODUCTION LEVELS HAVE BEEN HOLDING UP THANKS TO STRONG ORDER BOOKS. FOR 1974, ITALY EXPECTS ABOUT 5.5 PERCENT GROWTH IN FIRST HALF. CONSUMER PRICES EXPECTED TO RISE BY MINIMUM OF 13.034:3.5 8, 1974, OF WHICH 4 TO 4.5 PERCENTAGE POINTS DUE TO OIL PRICE INCREASES. CONTROL OVER PRICES WILL BE MAJOR POLICY CONCERN, AND ITALY IS NOT REPEATING NOT CONSIDERING MEASURES TO STIMULATE DEMAND.

17. ITALIANS EXPECT 6 TO 7 PERCENT RISE IN VOLUME OF WORLD TRADE IN 1974, BUT ARE NEVERTHELESS VERY CONCERNED REGARDING IMPACT OF OIL PRICE RISE ON THEIR RESERVE POSITION. ITALY AD TO BORROW \$5 BILLION IN 1973, TO COVER \$3 BILLION CURRENT ACCOUNT DEFICIT. IN 1974, CURRENT ACCOUNT EXPECTED TO DETERIORATE BY FURTHER \$3.8 BILLION (IMPORTS UP \$5.5 BILLION AND EXPORTS UP \$1.7 BILLION). ITALIANS LEARNED THAT BOP WOULD PLAY DOMINANT ROLE IN DOMESTIC POLICY CONSIDERATIONS FOR COUNTRIES WITH WEAK RESERVE POSITIONS AND POOR RECENT CURRENT ACCOUNT PERFORMANCE THEIR CONTINUED ABILITY TO BORROW ON INTERNATIONAL FINANCIAL MARKETS WOULD BE CRUCIAL FACTOR. (NB: IMPLIED CURRENT ACCOUNT DEFICIT OF \$6.8 BILLION IS CONSIDERABLY LARGER THAN SECRETARIAT ESTIMATE OF \$3.5 BILLION IN REF C.)

18. UNITED KINGDOM: U K DEL OFFERED BLEAK FORECAST FOR BRITISH ECONOMY AND WAS CERTAINLY MOST PESSIMISTIC PERSON AT TABLE. (NB: HIS COMMENTS BELOW ON EFFECTS OF OIL CRISIS DO NOT INCLUDE EFFECTS OF COAL SHORTAGE.)  
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BRITISH NOW EXPECT SHORTFALL IN OIL SUPPLIES TO BE BETWEEN 0 AND 15 PERCENT IN JANUARY. THEY CAN ABSORB UP TO 10 PERCENT CUT IN OIL SUPPLIES WITHOUT LOSS OF PRODUCTION, BUT AN ADDITIONAL 10 PERCENT CUT WOULD CAUSE REDUCTION IN GDP OF 7 PERCENT. PROSPECTS FOR INCREASING UK SUPPLIES FROM NORTH SEA ARE MINIMAL FOR 1974, ALTHOUGH PICTURE BRIGHTER FOR 1975 AND 1976. GREATEST IMPACT ON PRODUCTION WILL BE IN SELECTED INDUSTRIES SUCH AS AUTOS, CHEMICALS, AND TEXTILES. INVESTMENT DEMAND ALSO EXPECTED FALL IN THESE SECTORS. IMPACT ON OIL PRICE RISES WILL BE TO ADD ONE PERCENTAGE POINT OR MORE TO CONSUMER PRICE LEVEL IN 1974, ASSUMING OIL PRICE OF \$8.50 PER BARREL. (SECRETARIAT SEES 10.5 PERCENT RISE FIRST HALF 1974 OVER SECOND HALF 1973.)

19. IF FORECAST IS BROADENED TO INCLUDE EFFECTS OF



INDUSTRIAL DISPUTES AND COAL SHORTAGE, OUTLOOK BECOMES EVEN MORE BLEAK. UK THOUGHT SECRETARIAT ASSUMPTION OF THREE-DAY WORK WEEK CONTINUING THROUGH FEBRUARY WAS REASONABLE, BUT THEY CONSIDERED SECRETARIAT TOO OPTIMISTIC IN EXPECTING RAPID RETURN TO NORMAL PRODUCTION LEVELS IN SECOND QUARTER. UK AGREED WITH SECRETARIAT ESTIMATE OF DECLINE IN GNP OF ABOUT 9.5 PERCENT IN FIRST HALF 1974, COMPARED WITH SECOND HALF 1973, BUT THEY DID NOT EXPECT RECOVERY TO OCCUR BEFORE LATTER PART OF YEAR. THIS PROJECTION OF RECOVERY FOR UK IN SECOND HALF CONFLICTS DIRECTLY WITH EXPECTATION OF WORLD ECONOMY MOVING INTO SERIOUS RECESSION WHICH UK DEL PUT FORWARD DURING SUBSEQUENT INTERSESSION. (SEE REF A, PARA 4 IN WHICH FORECASTERS ASSESS PROSPECTS FOR OECD AREA AS A WHOLE.)

20. UK PARTICULARLY WORRIED THAT REDUCED LEVELS OF OUTPUT IN FIRST QUARTER WOULD RESULT IN EXCESS DEMAND WHICH COULD ONLY BE SATISFIED BY INCREASED IMPORTS. IMPLICATIONS FOR EXCHANGE RATE AND FURTHER IMPETUS TO INFLATION ARE SO DISMAL AS TO INSPIRE UK DEL (LOVELL) TO COMMENT THAT "HEROISM BEGINS TO FAIL ME". HE OFFERED NO INDICATION OF POSSIBLE POLICY PRESCRIPTIONS.

21. UK TAKING VERY PESSIMISTIC VIEW THAT WORLD TRADE LIMITED OFFICIAL USE  
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WILL GROW BY ONLY 0 TO 2 PERCENT IN 1974. THEY EXPECT CURRENT DEFICIT IN FIRST HALF TO BE CLOSE TO SECRETARIAT ESTIMATE OF \$4.5 BILLION.

22. CANADA: AMONG BIG SEVEN COUNTRIES, CANADA PROBABLY LEAST CONCERNED REGARDING  
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26.NETHERLANDS: DUTCH DEL JOINED BRITISH COLLEAGUES  
IN PREDICTING DISMAL YEAR FOR NETHERLANDS AND FOR  
WORLD ECONOMIES. WITH REGARD TO OIL SUPPLIES, HE  
COULD ONLY SAY THAT OUTLOOK WAS NOW LESS PESSIMISTIC  
THAN PRE-CHRISTMAS WHEN SHORTFALL EXPECTED REACH 30 TO  
35 PERCENT IN EARLY 1974. UP TO 10 PERCENT CUT IN  
SUPPLIES COULD BE ABSORBED WITHOUT ADVERSE EFFECT ON  
PRODUCTION, BUT FOR EACH ADDITIONAL 10 PERCENT THERE  
WOULD BE 3 PERCENT DECLINE IN GNP. DUTCH EXPECT DECLINE  
IN EMPLOYMENT WHICH WILL BE ENCOUNTERED BY REDUCED WORKING  
HOURS AND RESTRICTIONS ON NON-EEC MIGRANT WORKERS.  
INVESTMENT PICTURE VERY PESSIMISTIC BECAUSE OF  
ANTICIPATED PROFIT SQUEEZE RESULTING FROM DETERIORATING  
TERMS OF TRADE; AND OF POSSIBLE SLACKENING OF GERMAN  
DEMAND FOR DUTCH EXPORTS IF GERMAN MEASURES TO RELAX

RESTRICTIVE POLICIES ARE SLOW TO TAKE EFFECT. CPI EXPECTED RISE 14 PERCENT IN 1974, OF WHICH 5 TO 6 PERCENTAGE POINTS DUE TO OIL PRICE RISE. DUTCH SEE WORLD TRADE GROWING AT ONLY 0 TO 2 PERCENT RATE IN 1974 WITH EMPHASIS ON LOWER FIGURE. DUTCH EXPECT VOLUME OF BOTH EXPORTS AND IMPORTS DECLINE BY ABOUT 4.5 PERCENT.

27. DEMARK: DANES ABLE TO ABSORB UP TO 15 PERCENT CUTBACK IN OIL SUPPLIES WITHOUT AFFECTING PRODUCTION. HOWEVER, OIL PRICE RISE MAY HAVE STRONG DEFLATIONARY IMPACT ON PRIVATE CONSUMPTION, INVESTMENT AND EMPLOYMENT, AND MAY JEOPARDIZE FULL EMPLOYMENT COMMITMENTS OF GOVERNMENT. MAJOR CONCERN IS WITH OIL PRICE RISE EFFECT ON CONSUMER PRICE LEVEL. SITUATION MORE EXTREME IN DENMARK WHERE OIL PRICES HAVE TRADITIONALLY BEEN LOWER THAN OTHER COUNTRIES BECAUSE OF DANISH PURCHASES FROM INDEPENDENT OIL COMPANIES WHO OBTAINED SUPPLIES AT CHEAPER SPOT PRICES. OIL PRICES NOW 180 PERCENT HIGHER THAN PRE-CRISIS LEVELS, AND CPI LIKELY TO INCREASE BY 6.5 PERCENTAGE POINTS. REGARDING FOREIGN TRADE, DANES EXPECT CURRENT ACCOUNT BALANCE TO DETERIORATE BY \$0.8 BILLION IN 1974.  
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28. NORWAY: NORWEGIANS WERE OPTIMISTIC THAT OIL CRISIS WOULD NOT REDUCE PRODUCTIVE CAPACITY, AND THEY STILL EXPECT GNP TO INCREASE BY 5.5 PERCENT IN 1974. RESTRICTIONS ON DOMESTIC OIL CONSUMPTION WILL BE MAINTAINED, AND NORWAY WILL GO AHEAD WITH RATIONING PROGRAM ON JANUARY 25. OIL PRICE RISE MAY HIT CONSUMER DEMAND, BUT INVESTMENT DEMAND HAS BEEN STRONGER THAN EXPECTED. THUS, NO ADVERSE IMPACT ON PRODUCTION. RESULT OF 170 PERCENT INCREASE IN OIL PRICE WILL BE ABOUT 2 PERCENT RISE IN CPI. WEAKEST POINT IN NORWEGIAN FORECAST IS UNKNOWN IMPACT OF PRICE RISES ON APRIL WAGE NEGOTIATIONS. NORWAY ALSO CONCERNED THAT FUEL SITUATION MAY AFFECT INVISIBLE EARNINGS OF SHIPPING SECTOR.

29. SWEDEN: ASSUMING NO SHORTFALL IN OIL SUPPLIES DURING FULL YEAR 1974, SWEDISH ECONOMY MAY GROW BY 3 PERCENT INSTEAD OF PRE-OIL ESTIMATES OF 5 TO 5.5 PERCENT. IF OIL SHORTAGE IS 10 PERCENT, EXPECTED GNP GROWTH WILL BE REDUCED TO 2 PERCENT. CPI EXPECTED RISE BY 10.5 PERCENT IN 1974. BALANCE OF PAYMENTS EXPECTED FALL FROM \$1 BILLION SURPLUS IN 1973 TO VERY SMALL DEFICIT IN 1974.

30. SWITZERLAND: SWISS DEL EXPRESSED GENERAL AGREEMENT WITH SECRETARIAT FORECASTS EXCEPT THAT GNP GROWTH EXPECTED TO BE 2 PERCENT FOR FULL YEAR 1974. PRESENT

LEVEL OF OIL SHORTAGES CAN BE ABSORBED SATISFACTORILY. CONSUMER DEMAND EXPECTED DECLINE, BUT WILL BE OFFSET BY INCREASED PUBLIC SPENDING. EXPORT GROWTH RATE MAY DECELERATE IN SECOND HALF, BUT ORDER BOOKS ARE STILL FULL AT PRESENT. SWITZERLAND EXPECTS BE APPROXIMATELY IN BALANCE ON CURRENT ACCOUNT FOR 1974.

31. OTHER COUNTRIES: AMONG OTHER COUNTRIES WHICH SPOKE, ONLY AUSTRALIA, AUSTRIA, SPAIN, FINLAND AND IRELAND MADE EXTENSIVE COMMENTS. AUSTRALIA NOTED THAT IT WAS LARGELY SELF-SUFFICIENT IN OIL AND HAD HAD NO CUTBACKS IN IMPORTS, SO OIL CRISIS UNLIKELY HAVE IMPORTANT ADVERSE EFFECTS. HOWEVER, THERE MIGHT BE SERIOUS INDIRECT EFFECTS IF WOULD TRADE LEVELS DECLINE. AUSTRIA LIMITED OFFICIAL USE  
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STATED THAT IT WAS ABLE TO ABSORB 10 PERCENT LEVEL OF CUTBACKS AND STILL ACHIEVE GROWTH RATE OF 4 PERCENT IN 1974. OIL PRICE RISES WILL CAUSE 1 PERCENT OR MORE INCREASE IN CPI TO ANNUAL RATE OF ABOUT 8.5 PERCENT. SPAIN EXPECTS GNP GROWTH OF 5 TO 5.5 PERCENT PROVIDED DEMAND HOLDS UP AT HOME AND ABROAD. CURRENT BALANCE WILL DETERIORATE BY \$2 BILLION, LEAVING DEFICIT OF \$0.5 BILLION FOR 1974. FINLAND SEES NO EFFECT ON PRODUCTION DUE TO OIL SUPPLY SHORTFALLS. INVESTMENT BOOM WILL CONTINUE DURING FIRST HALF 1974, WITH DOWNTURN EXPECTED IN SECOND HALF. IRELAND EXPECTS GNP GROWTH OF 4-4.5 PERCENT, WITH PRICES RISING BY 11 PERCENT.

32. OIL EXPORT POLICY OF OECD COUNTRIES: SECRETARIAT ASKED DELEGATES TO INDICATE THEIR POLICY WITH REGARD TO EXPORTS OF OIL AND OIL PRODUCTS. ITALY REPLIED THAT IT HAD NO PLANS TO CUT EXPORTS; BRITAIN IS PRESENTLY MONITORING ITS EXPORTS, BUT HAS NO RESTRICTIONS; CANADA HAS MADE NO CUTBACKS, BUT WILL MAKE NO ADDITIONS; NETHERLANDS HAS SUBJECTED EXPORTS OF CRUDE OIL AND PRODUCTS TO LICENSING, BUT IS APPROVING ALL EXPORTS TO EEC COUNTRIES; DENMARK HAS NO RESTRICTIONS ON EXPORTS TO TRADITIONAL CUSTOMERS.

33. AS NOTED REF A, PARA 1, SOME COUNTRIES HAVE NOT YET ADJUSTED THEIR FORECASTS TO REFLECT CHRISTMAS OIL PRICE AND SUPPLY CHANGE, WITH RESULT THAT SOME FIGURES PROVIDED BY DELEGATES COVER DIFFERENT PERIODS OR INVOLVE DIFFERENT ASSUMPTIONS THAN THOSE PROVIDED BY SECRETARIAT. WE EXPECT HA  
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## Message Attributes

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